

TRILLIUM ACADEMY
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2008

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Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raeck
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis
James A. McNeeley

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Trillium Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trillium Academy (the Academy), as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Trillium Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Trillium Academy as of June 30, 2008 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2008, on our consideration of Trillium Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages v through x and 22, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Trillium Academy's basic financial statements. The additional information on pages 24 through 27 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maner, Costerisan + Ellis, P.C.

October 28, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Trillium Academy's (Academy) annual financial report presents our discussion and analysis of the public school Academy's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Financial Highlights

- The Academy's net assets decreased by \$191,782 during the year.
- As compared to the prior year, revenues increased by 27% percent while expenses increased by 21% percent. Blended enrollment used for state aid purposes was 584 in 2008 compared to 469 in 2007.
- The Academy retired \$88,941 in debt during the year.
- The Academy invested \$3,801,461 in capital assets during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Academy:

- The first two statements are academy-wide *financial statements* that provide both short-term and long-term information about the Academy's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Academy, reporting the Academy's operations in more detail than the academy-wide statements.
- The *governmental funds* statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy's budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

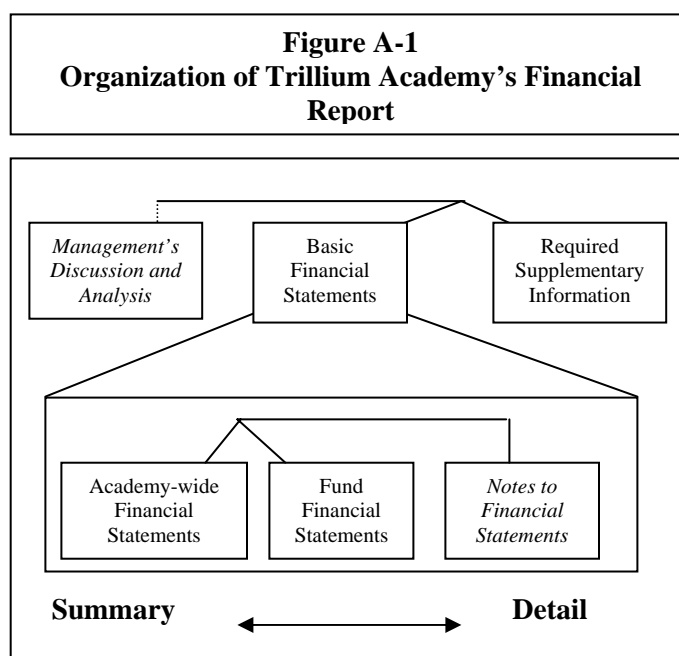


Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Academy-wide and Fund Financial Statements

	Academy-wide statements	Governmental funds
Scope	Entire academy (except fiduciary funds)	All activities of the academy that are not fiduciary
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

Academy-wide statements

The Academy-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Academy’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Academy-wide statements report the Academy’s net assets and how they have changed. Net assets - the difference between the Academy’s assets and liabilities, are one way to measure the Academy’s financial health or position.

- Over time, increases or decreases in the Academy’s net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the Academy’s enrollment, the condition of school buildings and other facilities, and the Academy’s ability to be competitive with other public school academies and area school districts.

Governmental activities - The Academy’s basic services are included here, such as regular and special education and administration. State foundation aid finances most of these activities.

Fund financial statements

The fund financial statements provide more detailed information about the Academy's funds, focusing on its more significant or "major" funds - not the Academy as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.
- The Academy establishes other funds to control and manage money for particular purposes and to show that it is properly using certain revenues (like school lunch).
- All of the Academy's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the Academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

Financial analysis of the Academy as a whole

Net assets (deficit) - the Academy's combined net assets (deficit) increased by \$191,782 in 2008 increasing the deficit to \$1,041,137. See Figure A - 3.

The total revenues increased by 27% to \$4,949,815. State aid foundation allowance included in revenue from state sources accounts for 87% of the Academy's revenue.

The total cost of instruction increased by 19% to \$2,418,675. Total support service expenses increased 16% to \$1,598,321.

Academy governmental activities

**Figure A-3
Trillium Academy's Net Assets**

	2008	2007
Current assets	\$ 1,948,373	\$ 846,696
Capital assets, net	9,184,181	5,668,965
Other noncurrent assets	2,435,095	1,269,791
Total assets	13,567,649	7,785,452
Current liabilities	2,340,630	1,264,125
Long-term liabilities	12,268,156	7,370,682
Total liabilities	14,608,786	8,634,807
Net assets (deficit):		
Investment in capital assets, net of related debt	(2,214,844)	(1,259,491)
Restricted for debt service	1,300,432	717,360
Unrestricted	(126,725)	(307,224)
Total net deficit	\$ (1,041,137)	\$ (849,355)

**Figure A-4
Change in Trillium Academy's Net Assets**

	2008	2007
Revenues:		
Program revenues:		
Federal and state categorical grants	\$ 475,086	\$ 345,589
Charges for service - food service and athletics	118,308	34,225
General revenues:		
State aid - unrestricted	4,291,433	3,403,149
Investment income	50,689	32,252
Other	14,299	95,944
Total general revenues	4,356,421	3,531,345
Total revenues	4,949,815	3,911,159
Expenses:		
Instruction	2,418,675	2,038,617
Support services	1,598,321	1,380,454
Food services	107,012	96,976
Athletics	35,543	43,510
Interest and fees	695,801	470,905
Unallocated depreciation	286,245	226,258
Total expenses	5,141,597	4,256,720
Change in net assets	\$ (191,782)	\$ (345,561)

Financial analysis of the Academy's funds

The Academy increased its fund balance in the general fund by \$456,174 to \$499,217. General fund revenues increased 27% in 2008. State sources increased primarily due to a 25% increase in blended enrollment over 2007.

The school lunch fund had an excess of expenditures over revenue of \$15,816 in 2008. The general fund transferred \$35,543 to the athletics fund and \$15,816 to the school lunch fund.

General fund budgetary highlights

Over the course of the year, the Academy revised the general fund annual operating budget two times. Significant changes were made to various revenues and expenditures to adjust for increased pupil counts, grants awarded and the related expenditures. Other financing sources (uses) and capital outlay were amended for the capital lease to purchase the furnishings and equipment.

The Academy's final budget for the general fund anticipated revenues would exceed expenditures and other financing sources or uses by \$98,093. The actual results for the year showed revenues over expenditures of \$456,174.

The actual expenditures were under budget by \$294,355. This is approximately 4% of total expenditures. This difference is attributed to spending less than anticipated on capital outlay.

Capital asset and debt administration

Capital assets

As of the year ended June 30, 2008, the Academy had invested \$9,184,181 in capital assets net of accumulated depreciation as summarized in Figure A-5. This amount represents a net increase of \$3,515,216 from the beginning of the year. Total depreciation expense for the year was \$286,245. More detailed information about capital assets can be found in Note 5 to the financial statements.

The Academy's capital assets are as follows:

Figure A-5				
Trillium Academy's Capital Assets				
	2008			2007
	Cost	Accumulated depreciation	Net book value	Net book value
Building and improvements	\$ 8,483,929	\$ 445,057	\$ 8,038,872	\$ 4,665,125
Land	565,000	-	565,000	565,000
Computer equipment	267,959	152,459	115,500	99,295
Furniture and equipment	519,537	106,157	413,380	287,833
Office equipment	85,570	34,141	51,429	51,712
Total	<u>\$ 9,921,995</u>	<u>\$ 737,814</u>	<u>\$ 9,184,181</u>	<u>\$ 5,668,965</u>

Long-term debt

The Academy repaid \$88,941 of long-term debt during 2008. The Academy also issued full term certificates of participation in the amount of \$5,065,000 during 2008 primarily to finance the construction of an addition to the main school building.

Factors bearing on the Academy's future

At the time these financial statements were prepared and audited, the Academy was aware of existing circumstances that could significantly affect its financial health in the future.

The Academy recently completed its Phase II addition to the current site and beginning in the 2008-09 school year the Academy will offer its first year of a twelfth grade program making the Academy a complete K-12 school. This increase in enrollment will result in higher levels of income from the state Foundation Grant and it is also anticipated that spending will increase in the areas of teacher salaries, furniture, supplies, equipment and textbooks.

The increased enrollment will more than likely also bring a higher than anticipated number of "at-risk" and Special Education students. The school has been required to add additional staffing to cover all mandated services required.

Consistent increases in enrollment numbers are evidence of the success of this program. Increases in enrollment for the 2008-09 school year are estimated to be between 90 and 100 additional students across all grades.

Contacting the Academy's financial management

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy's office at 15740 Racho Road, Taylor, Michigan, 48180, phone (734) 374-8222.

BASIC FINANCIAL STATEMENTS

**TRILLIUM ACADEMY
STATEMENT OF NET ASSETS
JUNE 30, 2008**

	ASSETS	Governmental activities
CURRENT ASSETS:		
Cash and cash equivalents		\$ 166,387
Cash deposits - restricted for debt payments		856,530
Receivables:		
Accrued interest receivable		15,906
Due from other governmental units		888,474
Prepaid expenditures		21,076
TOTAL CURRENT ASSETS		1,948,373
NONCURRENT ASSETS:		
Investments - restricted for debt service		1,399,374
Investments - restricted for capital projects		195,175
Debt issuance costs, net of amortization		840,546
Capital assets		9,921,995
Less accumulated depreciation		(737,814)
TOTAL NONCURRENT ASSETS		11,619,276
TOTAL ASSETS		\$ 13,567,649
	LIABILITIES AND NET DEFICIT	
CURRENT LIABILITIES:		
Accounts payable		\$ 471,746
Accrued salaries and related items		301,637
Accrued oversight and management fees		99,415
Accrued interest payable - state aid anticipation note		40,300
Accrued interest payable - certificates of participation		260,942
State aid anticipation note payable		1,000,000
Current portion of capital leases		76,590
Current portion of long-term debt		90,000
TOTAL CURRENT LIABILITIES		2,340,630
NONCURRENT LIABILITIES:		
Noncurrent portion of long-term obligation		12,175,000
Noncurrent portion of capital leases		93,156
TOTAL NONCURRENT LIABILITIES		12,268,156
TOTAL LIABILITIES		14,608,786
NET ASSETS (DEFICIT):		
Invested in capital assets, net of related debt		(2,214,844)
Restricted for debt service		1,300,432
Unrestricted		(126,725)
TOTAL NET DEFICIT		(1,041,137)
TOTAL LIABILITIES AND NET DEFICIT		\$ 13,567,649

See notes to financial statements.

**TRILLIUM ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 2,418,675	\$ 81,999	\$ 370,794	\$ (1,965,882)
Support services	1,598,321	-	49,405	(1,548,916)
Food services	107,012	36,309	54,887	(15,816)
Athletics	35,543	-	-	(35,543)
Interest and fees	695,801	-	-	(695,801)
Unallocated depreciation	286,245	-	-	(286,245)
Total governmental activities	<u>\$ 5,141,597</u>	<u>\$ 118,308</u>	<u>\$ 475,086</u>	<u>(4,548,203)</u>
General revenues:				
Investment earnings				50,689
State sources				4,291,433
Other				14,299
Total general revenues				<u>4,356,421</u>
CHANGE IN NET ASSETS				(191,782)
NET DEFICIT , beginning of year				<u>(849,355)</u>
NET DEFICIT , end of year				<u>\$ (1,041,137)</u>

**TRILLIUM ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	General fund	Debt service fund	Other nonmajor governmental funds	Total governmental funds
ASSETS				
ASSETS:				
Cash	\$ 161,266	\$ -	\$ 5,121	\$ 166,387
Cash deposits - restricted for debt payments	856,530	-	-	856,530
Receivables:				
Accrued interest receivable	15,906	-	-	15,906
Due from other governmental units	873,092	-	15,382	888,474
Due from other funds	-	-	34,275	34,275
Prepaid expenditures	21,076	-	-	21,076
Investments - restricted	463,942	1,130,607	-	1,594,549
TOTAL ASSETS	\$ 2,391,812	\$ 1,130,607	\$ 54,778	\$ 3,577,197
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 426,393	\$ -	\$ 45,353	\$ 471,746
Accrued salaries and related items	292,212	-	9,425	301,637
Accrued interest payable - state aid anticipation note	40,300	-	-	40,300
Accrued oversight and management fees	99,415	-	-	99,415
State aid anticipation note payable	1,000,000	-	-	1,000,000
Due to other funds	34,275	-	-	34,275
TOTAL LIABILITIES	1,892,595	-	54,778	1,947,373

FUND BALANCES:

Reserved for debt service

Reserved for capital projects

Unreserved, undesignated

TOTAL FUND BALANCES**TOTAL LIABILITIES AND FUND BALANCES****Total governmental fund balance**

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds

The cost of the capital assets is

Accumulated depreciation is

Debt issuance costs are considered expenditures in the funds but are capitalized and amortized for governmental activities

Debt issuance costs

Accumulated amortization

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Certificates of participation

Capital lease obligations

Accrued interest is not included as a liability in government funds, it is recorded when paid

Net deficit of governmental activities

General fund	Debt service fund	Other nonmajor governmental funds	Total governmental funds
\$ 430,767	\$ 1,130,607	\$ -	\$ 1,561,374
195,175	-	-	195,175
(126,725)	-	-	(126,725)
499,217	1,130,607	-	1,629,824
\$ 2,391,812	\$ 1,130,607	\$ 54,778	\$ 3,577,197
			\$ 1,629,824
		\$ 9,921,995	
		(737,814)	
			9,184,181
		901,525	
		(60,979)	
			840,546
			(12,265,000)
			(169,746)
			(260,942)
			\$ (1,041,137)

See notes to financial statements.

TRILLIUM ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General fund	Debt service fund	Other nonmajor governmental funds	Total governmental funds
REVENUES:				
Local sources	\$ 170,130	\$ 26,262	\$ 36,309	\$ 232,701
State sources	4,462,635	-	2,178	4,464,813
Federal sources	199,592	-	52,709	252,301
Total revenues	4,832,357	26,262	91,196	4,949,815
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	2,043,954	-	-	2,043,954
Added needs	379,468	-	-	379,468
Total instruction	2,423,422	-	-	2,423,422
Support services:				
Pupil	132,303	-	-	132,303
Instructional staff	32,710	-	-	32,710
General administration	578,865	-	-	578,865
School administration	348,458	-	-	348,458
Business	109,858	-	-	109,858
Operation and maintenance	388,380	-	-	388,380
Other	30,037	-	-	30,037
Total support services	1,620,611	-	-	1,620,611

	General fund	Debt service fund	Other nonmajor governmental funds	Total governmental funds
EXPENDITURES (Concluded):				
Current (Concluded):				
Food service	\$	\$	\$ 107,012	\$ 107,012
Athletics			35,543	35,543
Capital outlay	3,774,424			3,774,424
Debt service:				
Principal retirement	88,941			88,941
Interest expense		559,690		559,690
Issuance cost on certificates of participation	382,365			382,365
Total expenditures	8,289,763	559,690	142,555	8,992,008
DEFICIENCY OF EXPENDITURES UNDER REVENUES	(3,457,406)	(533,428)	(51,359)	(4,042,193)
OTHER FINANCING SOURCES (USES):				
Proceeds from certificates of participation	5,065,000			5,065,000
Operating transfers in		1,100,061	51,359	1,151,420
Operating transfers out	(1,151,420)			(1,151,420)
Total other financing sources	3,913,580	1,100,061	51,359	5,065,000
NET CHANGE IN FUND BALANCES	456,174	566,633		1,022,807
FUND BALANCES:				
Beginning of year	43,043	563,974		607,017
End of year	\$ 499,217	\$ 1,130,607	\$	\$ 1,629,824

See notes to financial statements.

TRILLIUM ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

Net change in fund balances total governmental funds	\$ 1,022,807
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(286,245)
Capital outlay	3,801,461

Accrued interest on certificates of participation is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	151,200
Accrued interest payable, end of the year	(260,942)

Proceeds and repayments of principal on long-term debt are other financing sources and expenditures in the governmental funds, but not in the statement of activities (where they are additions and reductions of liabilities):

Proceeds from issuance of long-term debt	(5,065,000)
Long-term debt issuance costs	382,365
Amortization of debt issuance costs	(26,369)
Principal repayment on capital leases	88,941

Change in net assets of governmental activities	\$ (191,782)
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TRILLIUM ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Trillium Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Academy's accounting policies are described below.

A. Reporting Entity

Trillium Academy (the "Academy") is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993. Central Michigan University is the authorizing body for the Academy and has contracted with the Academy to charter the public school academy for a period of five years expiring June 30, 2012. The Academy's board of directors is approved by the authorizing body and is authorized to manage the Academy and the property and affairs of the Academy. The Academy receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the Academy is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America. In addition, the Academy's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements Nos. 14 and 39.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Academy. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the Academy's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Academy's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

TRILLIUM ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The Academy first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the Academy's functions. The functions are also supported by general government revenues (state foundation revenue, certain intergovernmental revenues, investment income and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (state sources, intergovernmental sources, interest income and other revenues).

The Academy does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Academy as an entity and the change in the Academy's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental funds are those funds through which most Academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The Academy reports the following major governmental funds:

The *general fund* is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on certificates of participation.

Other Non-major Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes. The Academy accounts for its food service and athletics activities in the special revenue funds.

TRILLIUM ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

State and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Academy.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to the Academy based on information supplied by the Academy. For the year ended June 30, 2008, the foundation allowance was based on pupil membership counts taken in February and September of 2007.

TRILLIUM ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The state revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The Academy also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue.

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits accounts.

The Academy reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity.

State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**TRILLIUM ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

2. Prepaid expenditures

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

3. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds”, (i.e., the current portion of interfund loans) or “advances to/from other funds”, (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”.

All receivables are shown net of an allowance for uncollectible amounts, if any.

4. Capital assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Building and improvements	20-50 years
Computers and peripherals	5 years
Furniture and other equipment	7-20 years

The Academy’s capitalization policy is to capitalize individual amounts exceeding \$1,000.

TRILLIUM ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Concluded)

5. Long-term obligations

In the government-wide financial statements, long-term debt obligations are reported as liabilities on the statement of net assets. Debt premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the debt using the straight-line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

7. Fund balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The amount reserved for debt service in the general fund represents state aid payments received or accrued that is restricted for certificate of participation debt service. The amount reserved for capital projects represents unspent proceeds from debt issuances and repair and replacement reserves as required by the debt agreements. Transfers from the general fund to the debt service fund are recorded in the period in which the related principal and interest payments are made by the debt service fund.

TRILLIUM ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Approved appropriations lapse at year end. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year end, if any, are reported as reservations of fund balance because they will be re-appropriated in the subsequent fiscal year.

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Chief Administrative Officer submits to the Board of Directors a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Prior to July 1, the budget is legally adopted by Board of Directors resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
3. The Chief Administrative Officer is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
4. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
5. The general fund budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2008. The Academy does not consider these amendments to be significant.

TRILLIUM ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND RESTRICTED INVESTMENTS

As of June 30, 2008, the Academy had the following investments:

Investment Type	Fair value	Weighted average maturity (years)	Standard & Poor's Rating	%
First America Treasury Obligations Fund - Class D	<u>\$ 1,594,549</u>	0.0027	AAAm	<u>100.00%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

One day maturity equals 0.0027, one year equals 1.00

The Academy invests certain excess funds in external pooled investment funds which included treasury obligations. The treasury obligation reports as of June 30, 2008, the fair value of the Academy's investments is the same as the value of the pooled shares.

These investments are restricted under the terms of the certificates of participation debt agreements primarily for debt service, capital projects and maintenance and repair of the related facilities.

Interest rate risk. The Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008, the Academy did not have investments in commercial paper and corporate bonds.

Concentration of credit risk. The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2008, \$68,242 of the Academy's bank balance of \$168,242 was exposed to custodial credit risk because it was uninsured and uncollateralized. The above amounts include interest bearing deposits.

TRILLIUM ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND RESTRICTED INVESTMENTS (Concluded)

The net proceeds from the sale of the Series 2007B Notes (see note 6) were loaned by the Michigan Public Educational Facilities Authority (Authority) to various Michigan Public School Academies. Such loans are to be repaid with monthly set-a-side installments deposited with the Trustee for investment under the Investment Agreement dated August 23, 2007 between Charter One Bank, various Michigan Public School Academies, the Authority, and Fifth Third Bank, as Provider. Set-a-side installments are invested monthly in a series of certificates of deposits (bearing interest at 5.12%) held by Bank of New York Mellon, Trustee, in a fiduciary capacity. The Academy has a proportional interest in the certificates of deposits and accrued interest income earned through maturity on August 22, 2008. As of June 30, 2008, the Academy has \$856,530 of cash deposits restricted for debt payments. These deposits are uninsured and uncollateralized.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business.

Foreign currency risk. The Academy is not authorized to invest in investments which have this type of risk. The Academy does not currently have an investment policy that addresses the above investment and deposit risks.

NOTE 4 - LEASED EMPLOYEES

The Academy leases all of its workers from its management company, The Romine Group (TRG). TRG is responsible for retirement and post-employment benefit obligations. The amount payable to TRG at June 30, 2008 was approximately \$333,000. The Academy contributes 8% of the annual compensation each pay period to the TRG retirement plan. Retirement expense was approximately \$134,000 in 2008.

TRILLIUM ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS

A summary of changes in the Academy's capital assets follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets not being depreciated - land	\$ 565,000	\$ -	\$ -	\$ 565,000
Capital assets, being depreciated:				
Building and improvements	4,913,734	3,570,195	-	8,483,929
Computers	207,306	60,653	-	267,959
Furniture and equipment	357,237	162,300	-	519,537
Office equipment	77,257	8,313	-	85,570
Depreciable capital assets	5,555,534	3,801,461	-	9,356,995
Accumulated depreciation:				
Building and improvements	248,609	196,448	-	445,057
Computers	108,011	44,448	-	152,459
Furniture and equipment	69,404	36,753	-	106,157
Office equipment	25,545	8,596	-	34,141
Total accumulated depreciation	451,569	286,245	-	737,814
Net capital assets being depreciated	5,103,965	3,515,216	-	8,619,181
Net capital assets	\$ 5,668,965	\$ 3,515,216	\$ -	\$ 9,184,181

Depreciation for the fiscal year ended June 30, 2008 amounted to \$286,245. The Academy determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

At June 30, 2008, the Academy has approximately \$418,000 of assets subject to capital lease agreements. Current year depreciation expense and accumulated depreciation related to these assets at June 30, 2008 were approximately \$56,000 and \$199,000, respectively.

During the fiscal year ended June 30, 2008, equipment purchases of \$27,037 were included in instruction and support services expenditures.

TRILLIUM ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - NOTE PAYABLE

At June 30, 2008, the Academy has \$1,000,000 outstanding from a state aid anticipation note dated August 23, 2007. The note, which has an interest rate of 4.7%, matures August 22, 2008. The note is secured by future state school aid payments. The Academy has \$856,530 of cash deposits restricted for debt payments with a financial institution (see note 3) to be applied against the note payable at maturity. The Academy incurred interest expense on these notes of \$45,356 in 2008.

Balance June 30, 2007	Additions	Payments	Balance June 30, 2008
<u>\$ 154,713</u>	<u>\$ 1,000,000</u>	<u>\$ 154,713</u>	<u>\$ 1,000,000</u>

NOTE 7 - LONG-TERM OBLIGATIONS

The following is a summary of governmental long-term obligations for the Academy for the year ended June 30, 2008.

	Certificates of participation	Capital leases	Total
Balance, July 1, 2007	\$ 7,200,000	\$ 258,687	\$ 7,458,687
Additions	5,065,000	-	5,065,000
Repayments	-	88,941	88,941
Balance, June 30, 2008	12,265,000	169,746	12,434,746
Less current portion	90,000	76,590	166,590
	<u>\$ 12,175,000</u>	<u>\$ 93,156</u>	<u>\$ 12,268,156</u>

Long-term obligations at June 30, 2008 consists of the following:

2005 Series full term certificates of participation due in annual installments of \$90,000 to \$1,055,000 through September 1, 2035 with interest of 6.3%, secured by related mortgage.	\$ 7,200,000
2007 Series full term certificates of participation due in annual installments of \$75,000 to \$785,000 through September 1, 2035 with interest of 6.5%, secured by related mortgage.	<u>5,065,000</u>
Total general long-term debt	<u>\$ 12,265,000</u>

TRILLIUM ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

The annual requirements to amortize the certificates of participation outstanding as of June 30, 2008, including interest of \$14,874,884 are as follows:

Year ended June 30,	Principal	Interest	Amounts payable
2009	\$ 90,000	\$ 779,990	\$ 869,990
2010	95,000	774,162	869,162
2011	100,000	768,020	868,020
2012	185,000	759,027	944,027
2013	195,000	746,843	941,843
2014 - 2018	1,195,000	3,522,607	4,717,607
2019 - 2023	1,645,000	3,071,594	4,716,594
2024 - 2028	2,260,000	2,454,079	4,714,079
2029 - 2033	3,110,000	1,604,272	4,714,272
2034 - 2036	3,390,000	394,290	3,784,290
	<u>\$ 12,265,000</u>	<u>\$ 14,874,884</u>	<u>\$ 27,139,884</u>

Interest expense including amortization of debt issuance costs on the certificates of participation was \$695,801. An amount of \$1,130,607 is available in the debt service funds to service the certificates.

Capital lease obligations at June 30, 2008 consist of the following:

Three capital leases with a private investor for equipment with monthly payments totaling \$5,518 including imputed interest ranging between 9% and 13.4% maturing through June 2011.	\$ 133,953
A capital lease with a private investor for equipment with monthly payments of \$2,652 including imputed interest of 8.64% maturing through August 2009.	<u>35,793</u>
	169,746
Less current portion	<u>(76,590)</u>
	<u>\$ 93,156</u>

TRILLIUM ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM OBLIGATIONS (Concluded)

The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments are as follows:

Year ending June 30,	Amount
2009	\$ 89,568
2010	57,125
2011	44,695
Total minimum lease payments	191,388
Less: amounts representing interest	(21,642)
Capital lease obligations	\$ 169,746

Interest expense on capital lease obligations for 2008 was as \$20,720 and is included in support services.

NOTE 8 - MANAGEMENT AGREEMENT

The Academy had entered into a three year (through June 2012) management agreement with The Romine Group (TRG) for operations of the Academy. Under the terms of the management agreement, TRG's compensation for operating the Academy is 10% of the unrestricted state revenue. The management fee was \$428,453 for 2008. See Note 4 for other transactions with TRG.

NOTE 9 - RISK MANAGEMENT

The Academy is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. To minimize the risk, the Academy carries commercial insurance.

TRILLIUM ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2008 are as follows:

<u>Receivable fund</u>		<u>Payable fund</u>	
Food service	\$ 24,850	General	\$ 34,275
Athletic	9,425		
	<u>\$ 34,275</u>		<u>\$ 34,275</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

NOTE 11 - TRANSFERS

Operating transfers between the governmental funds were as follows:

<u>Operating transfers out</u>		<u>Operating transfers in</u>	
General fund	\$ 1,151,420	Athletic fund	\$ 35,543
		School lunch fund	15,816
		Debt service	1,100,061
	<u>\$ 1,151,420</u>		<u>\$ 1,151,420</u>

The operating transfers to the debt service fund from the general fund were to transfer state aid revenues which are restricted for debt service. These transfers are made in the year which the debt service fund makes the related principal and interest payments. In addition, the general fund transferred certain funds received as proceeds upon issuance of the certificates of participation that were restricted for debt service. The transfers from the general fund to the athletics fund and food service fund were made to cover operating expenses.

REQUIRED SUPPLEMENTARY INFORMATION

**TRILLIUM ACADEMY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2008**

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
REVENUES:				
Local	\$ 71,620	\$ 141,620	\$ 170,130	\$ 28,510
State sources	4,139,750	4,462,877	4,462,635	(242)
Federal sources	178,223	183,622	199,592	15,970
Total revenues	4,389,593	4,788,119	4,832,357	44,238
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	1,911,870	2,017,338	2,043,954	(26,616)
Added needs	429,620	398,111	379,468	18,643
Total instruction	2,341,490	2,415,449	2,423,422	(7,973)
Support services:				
Pupil	107,369	141,024	132,303	8,721
Instructional staff	13,000	40,500	32,710	7,790
General administration	539,826	586,447	578,865	7,582
School administration	313,936	368,912	348,458	20,454
Business	99,174	119,431	109,858	9,573
Operation and maintenance	350,723	413,723	388,380	25,343
Other	21,000	30,500	30,037	463
Total support services	1,445,028	1,700,537	1,620,611	79,926
Capital outlay	-	4,000,000	3,774,424	225,576
Debt service:				
Principal retirement	82,481	90,710	88,941	1,769
Issuance cost on certificates of participation	-	377,422	382,365	(4,943)
Total expenditures	3,868,999	8,584,118	8,289,763	294,355
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	520,594	(3,795,999)	(3,457,406)	338,593
OTHER FINANCING SOURCES (USES):				
Proceeds from certificates of participation	-	5,071,402	5,065,000	(6,402)
Operating transfers out	(488,330)	(1,177,310)	(1,151,420)	25,890
Total other financing sources (uses)	(488,330)	3,894,092	3,913,580	19,488
NET CHANGE IN FUND BALANCE	<u>\$ 32,264</u>	<u>\$ 98,093</u>	456,174	<u>\$ 358,081</u>
FUND BALANCE:				
Beginning of year			43,043	
End of year			<u>\$ 499,217</u>	

ADDITIONAL INFORMATION

**TRILLIUM ACADEMY
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008**

	<u>School lunch fund</u>	<u>Athletics fund</u>	<u>Totals</u>
ASSETS			
Cash	\$ 5,121	\$ -	\$ 5,121
Receivables:			
Due from other governmental units	15,382	-	15,382
Due from other funds	<u>24,850</u>	<u>9,425</u>	<u>34,275</u>
Total assets	<u><u>\$ 45,353</u></u>	<u><u>\$ 9,425</u></u>	<u><u>\$ 54,778</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 45,353	\$ -	\$ 45,353
Accrued salaries and related items	<u>-</u>	<u>9,425</u>	<u>9,425</u>
Total liabilities	45,353	9,425	54,778
Fund balances:			
Undesignated	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u><u>\$ 45,353</u></u>	<u><u>\$ 9,425</u></u>	<u><u>\$ 54,778</u></u>

**TRILLIUM ACADEMY
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2008**

	School lunch fund	Athletics fund	Totals
REVENUES:			
Food sales	\$ 36,309	\$ -	\$ 36,309
State aid	52,709	-	52,709
Federal aid	2,178	-	2,178
	<hr/>	<hr/>	<hr/>
Total revenues	91,196	-	91,196
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
Food costs	107,012	-	107,012
Athletic expenses	-	35,543	35,543
	<hr/>	<hr/>	<hr/>
Total expenditures	107,012	35,543	142,555
	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(15,816)	(35,543)	(51,359)
OTHER FINANCING SOURCES:			
Operating transfer in from general fund	15,816	35,543	51,359
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	-	-	-
FUND BALANCES, beginning of year	-	-	-
	<hr/>	<hr/>	<hr/>
FUND BALANCES, end of year	\$ -	\$ -	\$ -
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

TRILLIUM ACADEMY
FULL TERM CERTIFICATES OF PARTICIPATION - SERIES 2005
YEAR ENDED JUNE 30, 2008

\$7,200,000 certificates issued September 1, 2005

Principal due September 1	Interest due		Debt service requirement for fiscal year	
	September 1	March 1	June 30	Amount
\$ 90,000	\$ 226,800	\$ 223,965	2009	\$ 540,765
95,000	223,965	220,972	2010	539,937
100,000	220,973	217,822	2011	538,795
110,000	217,883	214,357	2012	542,240
115,000	214,358	210,735	2013	540,093
120,000	210,735	206,955	2014	537,690
130,000	206,955	202,860	2015	539,815
140,000	202,860	198,450	2016	541,310
150,000	198,450	193,725	2017	542,175
155,000	193,725	188,842	2018	537,567
170,000	188,843	183,487	2019	542,330
180,000	183,488	177,817	2020	541,305
190,000	177,818	171,832	2021	539,650
200,000	171,833	165,532	2022	537,365
215,000	165,533	158,760	2023	539,293
230,000	158,760	151,515	2024	540,275
245,000	151,515	143,797	2025	540,312
260,000	143,798	135,607	2026	539,405
275,000	135,608	126,945	2027	537,553
295,000	126,945	117,652	2028	539,597
315,000	117,653	107,730	2029	540,383
335,000	107,730	97,177	2030	539,907
355,000	97,178	85,995	2031	538,173
380,000	85,995	74,025	2032	540,020
405,000	74,025	61,267	2033	540,292
430,000	61,268	47,722	2034	538,990
460,000	47,723	33,232	2035	540,955
1,055,000	33,233	-	2036	1,088,233
<u>\$ 7,200,000</u>	<u>\$ 4,345,650</u>	<u>\$ 4,118,775</u>		<u>\$ 15,664,425</u>

The above certificates bear interest rates at 6.3%. The certificate proceeds were used for the acquisition of a building and improvements thereto and to payoff certain existing long-term debt.

TRILLIUM ACADEMY
FULL TERM CERTIFICATES OF PARTICIPATION - SERIES 2007
YEAR ENDED JUNE 30, 2008

\$5,065,000 certificates issued November 1, 2007

Principal due September 1	Interest due		Debt service requirement for fiscal year	
	September 1	March 1	June 30	Amount
\$ -	\$ 164,613	\$ 164,612	2009	\$ 329,225
-	164,613	164,612	2010	329,225
-	164,613	164,612	2011	329,225
75,000	164,612	162,175	2012	401,787
80,000	162,175	159,575	2013	401,750
85,000	159,575	156,813	2014	401,388
95,000	156,813	153,725	2015	405,538
100,000	153,725	150,475	2016	404,200
105,000	150,475	147,062	2017	402,537
115,000	147,062	143,325	2018	405,387
120,000	143,325	139,425	2019	402,750
130,000	139,425	135,200	2020	404,625
140,000	135,200	130,650	2021	405,850
145,000	130,650	125,938	2022	401,588
155,000	125,938	120,900	2023	401,838
165,000	120,900	115,537	2024	401,437
180,000	115,537	109,688	2025	405,225
190,000	109,688	103,512	2026	403,200
205,000	103,512	96,850	2027	405,362
215,000	96,850	89,863	2028	401,713
230,000	89,863	82,387	2029	402,250
245,000	82,387	74,425	2030	401,812
265,000	74,425	65,813	2031	405,238
280,000	65,813	56,712	2032	402,525
300,000	56,712	46,963	2033	403,675
320,000	46,963	36,562	2034	403,525
340,000	36,562	25,511	2035	402,073
785,000	25,511	-	2036	810,511
<u>\$ 5,065,000</u>	<u>\$ 3,287,537</u>	<u>\$ 3,122,922</u>		<u>\$ 11,475,459</u>

The above certificates bear interest rates at 6.5%. The certificate proceeds were used for a building, improvements thereto, and certain equipment and furniture.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Trillium Academy

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trillium Academy as of and for the year ended June 30, 2008, which collectively comprise Trillium Academy's basic financial statements and have issued our report thereon dated October 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Trillium Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control. We consider the deficiency described as 2008-1 in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Academy's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above as 2008-1 is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trillium Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Trillium Academy in a separate letter dated October 28, 2008.

This report is intended solely for the information and use of management, Board of Directors, U.S. Department of Education, and Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Maner, Costerisan + Ellis, P.C.

October 28, 2008

**TRILLIUM ACADEMY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2008**

Finding 2008-1

Finding considered a significant deficiency

Criteria: One individual should not have the ability to record and process payments to vendors and also have control custodial control over cash disbursements.

Condition: One individual from the external accounting firm providing monthly accounting work has the ability to record and process payment to vendors and also has control over the check signature stamp used to sign checks without adequate compensating internal controls.

Context: This increases the risk of improper disbursement of funds.

Cause: Compensating control as previously designed by the Academy was not in place during the year under audit.

Effect: Inadequate segregation of duties relating to accounting personnel.

Recommendation: An individual independent of the check writing process and familiar with the expenditures of the Academy should obtain the bank statements and cleared checks directly from the bank and perform a reasonableness review of those items in relation to the approved expenses.

Client Response

We agree with the recommendation above and will implement the proposed corrective action.



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October 28, 2008

To the Board of Directors
Trillium Academy

In planning and performing our audit of the financial statements of Trillium Academy as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Trillium Academy's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control. We consider the following deficiency to be significant deficiencies in internal control:

Lack of Segregation of Duties

One individual from the external accounting firm providing monthly accounting work has the ability to record and process payments to vendors, and also has control over the check signature stamp used to sign checks without adequate compensating internal controls. As a compensating control, an individual independent of the check writing process and familiar with the expenditures of the Academy should obtain the bank statements and cleared checks directly from the bank and perform a reasonableness review of those items in relation to the approved expenses.

In addition, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 28, 2008 on the financial statements of Trillium Academy. Our comments are summarized as follows.

Cash Receipts Listing

Currently, a cash receipts listing is not prepared by an individual independent of the deposit process for money received by the central administration office of the Academy for most student activities, such as fieldtrips and uniform sales. One individual has access to the cash, and makes the deposit without an initial listing of cash receipts prepared by an independent individual to be used for subsequent comparison of the deposited amounts. Consideration should be given to implementing this control.

Month-end procedures checklist

During the recently completed audit, we were required by new professional auditing standards to review, inspect, test and gain a further understanding of the Academy's internal controls. The increased emphasis on documentation of procedures performed will continue into the future. We have provided Academy personnel with a month-end procedures checklist which can be customized further for your Academy. The purpose of this checklist is to provide Academy personnel with a centralized list of required month-end procedures, as well as a place to document who completed the procedure, and who reviewed the procedure performed.

We recommend the Academy consider implementing this checklist on a monthly basis to improve documentation of required month-end procedures and clearly document when and by whom the procedure was performed and reviewed.

Uninsured bank deposits

During recent months, we have all heard the numerous issues involving the banking industry. Currently, it is our understanding; there are limits to FDIC insured balances. Generally, the limits are \$250,000 for demand accounts (checking) and \$250,000 for time deposit accounts (savings/certificates of deposit). The Academy may also request certain funds be collateralized by the bank. There are other options regarding investing surplus funds from investment pools and treasury investments to commercial paper.

We are not investment advisors; however, we encourage you to meet with your investment representatives to review all of your options regarding surplus funds. We also recommend you review the Academy's investment policy to ensure it continues to satisfy the Academy's goals.

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

This report is intended solely for the information and use of Trillium Academy, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maner, Costerisan + Ellis, P.C.



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October 28, 2008

To the Board of Directors
Trillium Academy

We have audited the financial statements of Trillium Academy for the year ended June 30, 2008, and have issued our report thereon dated October 28, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Trillium Academy. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Trillium Academy's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to the Treasurer of the Board of Directors in our discussion about planning matters on August 15, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Trillium Academy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We did not identify any sensitive estimates.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 28, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Trillium Academy’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Trillium Academy’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Trillium Academy and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maner, Costerisan + Ellis, P.C.